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- The Committee on Economic Development, Housing and General Affairs to which was referred Senate Bill No. 250 entitled "An act relating to farm distilleries and Vermont barrel aged maple spirits" respectfully reports that it has considered the same and recommends that the bill be amended by striking out all after the enacting clause and inserting in lieu thereof the following:

 Sec. 1. 7 V.S.A. § 2 is amended to read:
- § 2. DEFINITIONS
 - The following words as used in this title, unless a contrary meaning is required by the context, shall have the following meaning:

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(5) "Cabaret license": a first-class license or first- and third-class licenses where the business is devoted primarily to providing entertainment, dancing, and the sale of alcoholic beverages to the public and not the service of food. The holder of a "cabaret license" shall serve food at all times when open for business and shall have adequate and sanitary space and equipment for preparing and serving food. However, the gross receipts from the sale of food shall be less than the combined receipts from the sales of alcoholic beverages, entertainment, and dancing in the prior reporting year. All laws and regulations pertaining to a first-class license or first- and third-class licenses

shall apply to the first-class or first- and third-class cabaret licenses.

[Repealed.]

(6) "Caterer's license": a license issued by the Liquor Control Board authorizing the holder of a first-class license or first- and third-class licenses for a eabaret, restaurant, or hotel premises to serve malt or vinous beverages, spirits, or fortified wines at a function located on premises other than those occupied by a first-, first- and third-, or second-class licensee to sell alcoholic beverages.

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(15) "Manufacturer's or rectifier's license": a license granted by the Liquor Control Board that permits the holder to manufacture or rectify spirits of malt beverages, or vinous beverages and fortified wines, or spirits and fortified wines. Spirits and fortified wines may be manufactured or rectified by a license holder for export and sale to the Liquor Control Board, of and malt beverages and vinous beverages may be manufactured or rectified by a license holder for export and sale to bottlers or wholesale dealers. This license permits a manufacturer of vinous beverages or fortified wines to receive from another manufacturer licensed in or outside this State bulk shipments of vinous beverages to rectify with the licensee's own product, provided that the vinous beverages or fortified wines produced by a Vermont manufacturer may contain no more than 25 percent imported vinous beverage. The Liquor Control Board

may grant to a licensed manufacturer or rectifier of spirits, fortified wines,
vinous beverages, or malt beverages a first-class restaurant or cabaret license
or \underline{a} first- and \underline{a} third-class restaurant or cabaret license permitting the licensee
to sell alcoholic beverages to the public only at the manufacturer's premises,
which for the purposes of a manufacturer of malt beverages, includes up to two
licensed establishments that are located on the contiguous real estate of the
holder of the manufacturer's license, provided the manufacturer or rectifier
owns or has direct control over those establishments. A manufacturer of malt
beverages who also holds a first-class restaurant or cabaret license may serve
to a customer malt beverage by the glass, not to exceed eight glasses at one
time and not to exceed four ounces in each glass. The Liquor Control Board
may grant to a licensed manufacturer or a rectifier of malt beverages a second-
class license permitting the licensee to sell alcoholic beverages to the public
anywhere on the manufacturer's or rectifier's premises. A licensed
manufacturer or rectifier of vinous beverages may serve, with or without
charge, at an event held on the premises of the licensee or the vineyard
property at a location on the contiguous real estate of the licensee, spirits,
fortified wines, vinous beverages, and malt beverages, provided the licensee
gives the Department written notice of the event, including details required by
the Department, at least five days before the event. Any beverages not
manufactured by the licensee and served at the event shall be purchased on

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invoice from a licensed manufacturer or wholesale dealer or the Liquor Control Board.

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(27) "Special events permit": a permit granted by the Liquor Control Board permitting a person holding a manufacturer's or rectifier's license <u>licensed manufacturer or rectifier</u> to sell by the glass or by unopened bottle spirits, fortified wines, malt beverages, or vinous beverages manufactured or rectified by the license holder at an event open to the public that has been approved by the local licensing authority. For the purposes of tasting only, the permit holder may distribute, with or without charge, beverages manufactured by the permit holder by the glass no more than two ounces per product and eight ounces total of malt beverages or vinous beverages and no more than one ounce in total of spirits or fortified wines to each individual. No more than 104 special events permits may be issued to a holder of a manufacturer's or rectifier's license licensed manufacturer or rectifier during a year. A special event events permit shall be valid for the duration of each public event or four days, whichever is shorter. Requests for a special events permit, accompanied by the fee as required by subdivision 231(13) of this title, shall be submitted to the Department of Liquor Control at least five days prior to the date of the event. Each manufacturer or rectifier planning to attend a single special event under this permit may be listed on a single permit. However, each attendance

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at a special event shall count toward the manufacturer's or rectifier's <u>annual</u>

<u>limit of 104 special-event-permit limitation special events permits.</u>

(28) "Fourth-class license" or "farmers' market license": the license granted by the Liquor Control Board permitting a manufacturer or rectifier of malt beverages, vinous beverages, fortified wines, or spirits licensed manufacturer or rectifier to sell by the unopened container and distribute by the glass with or without charge, beverages manufactured by the licensee. No more than a combined total of ten fourth-class and farmers' market licenses may be granted to a licensed manufacturer or rectifier. At only one fourth-class license location, a manufacturer or rectifier of vinous beverages, malt beverages, fortified wines, or spirits licensed manufacturer or rectifier may sell by the unopened container and distribute by the glass, with or without charge, vinous beverages, malt beverages, fortified wines, or spirits produced by no more than five additional manufacturers or rectifiers, provided these beverages are purchased on invoice from the manufacturer or rectifier. A manufacturer or rectifier of vinous beverages, malt beverages, fortified wines, or spirits may sell its product to no more than five additional manufacturers or rectifiers. A fourth-class licensee may distribute by the glass no more than two ounces of malt beverages or vinous beverages with a total of eight ounces to each retail customer and no more than one-quarter ounce of spirits or fortified wine with a total of one ounce to each retail customer for consumption on the

manufacturer's premises or at a farmers' market. A fourth-class fourth-class
licensee may distribute by the glass up to four mixed drinks containing a
combined total of no more than one ounce of spirits or fortified wine to each
retail customer for consumption only on the manufacturer's premises. A
farmers' market license is valid for all dates of operation for a specific farmers
market location.
* * *
(36) "Outside consumption permit": a permit granted by the Liquor
Control Board allowing the holder of a first-class or, first- and third-class
license holder and, or fourth-class license holder to allow for consumption of
alcohol in a delineated outside area.
* * *
(40) "Retail delivery permit": a permit granted by the Liquor Control
Board that permits a second-class licensee to deliver malt beverages or vinous
beverages sold by the licensee to the purchaser at a location in Vermont.
(41) "Destination resort master license": a license granted by the Liquo
Control Board pursuant to section 472 of this title permitting a destination
resort to designate licensed caterers and commercial caterers that will be
permitted to cater individual events within the boundaries of the resort without
being required to obtain a request to cater permit for each individual event.

For purposes of a destination resort master license, a "destination resort" is a

- resort that contains at least 100 acres of land, offers at least 50 units of sleeping
- 2 accommodations, offers food and beverage service to the public for
- 3 consideration, and has related sports and recreational facilities for the
- 4 <u>convenience or enjoyment of its guests.</u>
- 5 Sec. 2. 7 V.S.A. § 67 is amended to read:
- 6 § 67. ALCOHOLIC BEVERAGE TASTINGS; PERMIT; PENALTIES

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- (d) Promotional alcoholic beverage tasting:
- (1) At the request of a holder of a first- or second-class license, a holder of a manufacturer's, rectifier's, or wholesale dealer's license may distribute without charge to the first- or second-class licensee's management and staff, provided they are of legal drinking age and are off duty for the rest of the day, two ounces per person of vinous or malt beverages for the purpose of promoting the beverage. At the request of a holder of a third-class license, a manufacturer or rectifier of spirits or fortified wines may distribute without charge to the third-class licensee's management and staff, provided they are of legal drinking age and are off duty for the rest of the day, one-quarter ounce of each beverage and no more than a total of one ounce to each individual for the purpose of promoting the beverage. No permit is required under this subdivision, but written notice of the event shall be provided to the Department of Liquor Control at least five days two days prior to the date of the tasting.

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- (e) Tastings for product quality assurance. A licensed manufacturer or rectifier may distribute to its management and staff who are directly involved in the production of the licensee's products, provided they are of legal drinking age and at the licensed premises, samples of the licensee's products for the purpose of assuring the quality of the products. Each sample of vinous or malt beverages shall be no larger than two ounces, and each sample of spirits or fortified wines shall be no larger than one-quarter ounce. No permit is required under this subsection.

 (f) Age and training of servers. No individual who is under the age of 18 years of age or who has not received training as required by the Department may serve alcoholic beverages at an event under this section.
 - (f)(g) Penalties. The holder of a permit issued under this section that provides alcoholic beverages to an underage individual or permits an individual under the age of 18 years of age to serve alcoholic beverages at a beverage tasting event under this section shall be fined not less than \$500.00 nor more than \$2,000.00 or imprisoned not more than two years, or both.

1	Sec. 3. 7 V.S.A. § 70 is added to read:
2	§ 70. MANUFACTURERS OF MALT BEVERAGES; TRANSFER OF
3	MALT BEVERAGES BETWEEN LICENSED LOCATIONS
4	(a) A licensed manufacturer of malt beverages may transfer malt beverages
5	to a second licensed manufacturer of malt beverages without payment of taxes
6	pursuant to section 421 of this title provided:
7	(1) the manufacturers are part of the same company;
8	(2) one manufacturer owns the controlling interest in the other
9	manufacturer; or
10	(3) the controlling interest in each manufacturer is owned by the same
11	person.
12	(b) For each transfer of malt beverages pursuant to this section, the
13	manufacturers shall:
14	(1) document on invoices the amount of malt beverages transferred
15	without payment of taxes; and
16	(2) prepare and maintain records of each transfer in accordance with all
17	applicable federal laws and regulations.
18	Sec. 4. 7 V.S.A. § 231 is amended to read:
19	§ 231. FEES FOR LICENSES AND PERMITS; DISPOSITION OF FEES
20	(a) The following fees shall be paid:

1	(1) For a manufacturer's or rectifier's license to manufacture or rectify
2	malt beverages and, or vinous beverages and fortified wines, or to manufacture
3	or rectify spirits and fortified wines, \$310.00 for either each license.
4	* * *
5	(11) For up to ten fourth-class vinous licenses, \$70.00.
6	* * *
7	(25) For a retail delivery permit, \$100.00.
8	(26) For a destination resort master license, \$500.00.
9	* * *
10	Sec. 5. 7 V.S.A. § 222 is amended to read:
11	§ 222. FIRST- AND SECOND-CLASS LICENSES; GRANTING OF; SALE
12	TO MINORS; CONTRACTING FOR FOOD SERVICE
13	With the approval of the Liquor Control Board, the control commissioners
14	may grant the following licenses to a retail dealer for the premises where the
15	dealer carries on business:
16	(1) Upon making application and paying the license fee provided in
17	section 231 of this title, a first-class license which authorizes the dealer to sell
18	malt and vinous beverages for consumption only on those premises, and upon
19	satisfying the Liquor Control Board that the premises are leased, rented, or
20	owned by the retail dealer and are devoted primarily to dispensing meals to the
21	public, except clubs and cabarets, and that the premises have adequate and

sanitary space and equipment for preparing and serving meals. The term "public" includes patrons of hotels, boarding houses, restaurants, dining cars, and similar places where meals are served. A retail dealer carrying on business in more than one place shall acquire a first-class license for each place where the retail dealer sells malt and vinous beverages. No malt or vinous beverages shall be sold by a first-class licensee to a minor. Partially consumed bottles of vinous beverages or specialty beers that were purchased with a meal may be removed from first-class licensed premises provided the beverages are recapped or resealed.

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(7)(A) The Liquor Control Board may grant a retail delivery permit to a second-class licensee if the licensee files an application accompanied by the fee provided in section 231 of this title.

(B)(i) A retail delivery permit holder may deliver malt beverages or vinous beverages sold from the licensed premises for consumption off the premises to the purchaser at a location in Vermont between the hours of 9:00 a.m. and 5:00 p.m.

(ii) An employee of a retail delivery permit holder shall not be permitted to make deliveries of malt beverages or vinous beverages pursuant to the permit unless he or she has completed a training program approved by the Department as required pursuant to section 239 of this chapter.

1	(C) The Liquor Control Board shall adopt rules to implement this
2	subdivision (7).
3	Sec. 6. 7 V.S.A. § 224 is amended to read:
4	§ 224. THIRD-CLASS LICENSES; OPEN CONTAINERS
5	(a) The Liquor Control Board may grant to a person who operates a hotel,
6	restaurant, cabaret, or club a license of the third class if the person files an
7	application accompanied by the license fee as provided in section 231 of this
8	title for the premises in which the business of the hotel, restaurant, cabaret, or
9	club is carried on. The holder of a third-class license may sell spirits and
10	fortified wines for consumption only on the premises covered by the license.
11	The applicant for a third-class license shall satisfy the Liquor Control Board
12	that the applicant is the bona fide owner or lessee of the premises and that the
13	premises are operated for the purpose covered by the license.
14	* * *
15	Sec. 7. 7 V.S.A. § 242 is added to read:
16	§ 242. DESTINATION RESORT MASTER LICENSES
17	(a) The Liquor Control Board may grant a destination resort master license
18	to a person that operates a destination resort if the applicant files an application
19	with the Liquor Control Board accompanied by the license fee provided in
20	section 231 of this title. In addition to any information required pursuant to
21	rules adopted by the Board, the application shall:

1	(1) designate all licensed caterers and commercial caterers that are
2	proposed to be permitted to cater individual events within the boundaries of the
3	resort pursuant to the destination resort master license;
4	(2) demonstrate that the destination resort:
5	(A) contains at least 100 acres of land; and
6	(B) offers at least 50 units of sleeping accommodations; and
7	(3) include a plan of the destination resort that sets forth:
8	(A) the destination resort boundaries;
9	(B) the ownership of the destination resort lands;
10	(C) the location and general design of buildings and other
11	improvements within the resort boundaries; and
12	(D) the location of any sports and recreational facilities within the
13	resort boundaries.
14	(b) A licensee may, upon five days' notice to the Department, amend the
15	list of licensed caterers and commercial caterers that are designated in the
16	destination resort master license.
17	(c) The holder of the destination resort master license shall, at least two
18	days prior to the date of the event, provide the Department and local control
19	commissioners with written notice of an event within the resort boundaries that
20	will be catered pursuant to the master licenses. A licensed caterer or
21	commercial caterer that is designated in the master license shall not be required

1	to obtain a request to cater permit to cater an event occurring within the
2	destination resort boundaries if the master licensee has provided the
3	Department and local control commissioners with the required notice pursuant
4	to this subsection.
5	(d) Real estate of a destination resort master license holder that is not
6	contiguous with the license holder's principal premises or is located in a
7	different municipality from the license holder's principal premises may be
8	included in the destination resort's boundaries if it is clearly identified and
9	delineated on the plan of the destination resort that is submitted pursuant to
10	subsection (a) of this section.
11	Sec. 8. 7 V.S.A. § 424 is amended to read:
12	§ 424. COLLECTION
13	The liquor control board Liquor Control Board shall collect the tax imposed
14	under section 422 of this title from the purchaser thereof. The taxes so
15	collected on sales by the Liquor Control Board shall be paid weekly to the state
16	treasurer State Treasurer, and the taxes collected on sales by a manufacturer or
17	rectifier shall be paid quarterly to the State Treasurer.

1	Sec. 9. 7 V.S.A. § 101 is amended to read:
2	§ 101. COMPOSITION OF DEPARTMENT; COMMISSIONER OF
3	LIQUOR CONTROL; LIQUOR CONTROL BOARD
4	(a) The Department of Liquor Control, created by 3 V.S.A. § 212, shall
5	include the Commissioner of Liquor Control and the Liquor Control Board.
6	(b)(1) The Liquor Control Board shall consist of five persons, not more
7	than three members of which shall belong to the same political party.
8	(2)(A) Biennially, with With the advice and consent of the Senate, the
9	Governor shall appoint a person as a member members of such the Board for a
10	staggered five-year term, whose staggered five-year terms.
11	(B) The Governor shall fill a vacancy occurring during a term by an
12	appointment for the unexpired term in accordance with the provisions of
13	3 V.S.A. § 257(b).
14	(C) A member's term of office shall commence on February 1 of the
15	year in which such appointment is made the member is appointed.
16	(3) The Governor shall biennially designate a member of such the Board
17	to be its Chair.
18	Sec. 10. 7 V.S.A. § 102 is amended to read:
19	§ 102. REMOVAL
20	After Notwithstanding any provision of 3 V.S.A. § 2004 to the contrary,
21	after notice and hearing, the governor Governor may remove a member of the

1	liquor control board Liquor Control Board for incompetency, failure to
2	discharge his or her duties, malfeasance, immorality, or other cause inimical to
3	the general good of the state State. In case of such removal, the governor
4	Governor shall appoint a person to fill the unexpired term.
5	Sec. 11. 7 V.S.A. § 106 is amended to read:
6	§ 106. COMMISSIONER OF LIQUOR CONTROL; REPORTS;
7	RECOMMENDATIONS
8	The board shall employ an executive officer, who shall be the secretary of
9	the board and shall be called the commissioner of liquor control. The
10	commissioner shall be appointed for an indefinite period and shall be subject to
11	removal upon the majority vote of the entire board. At such times and in such
12	detail as the board directs, the commissioner shall make reports to the board
13	concerning the liquor distribution system of the state, together with such
14	recommendations as he deems proper for the promotion of the general good of
15	the state.
16	(a)(1) With the advice and consent of the Senate, the Governor shall
17	appoint from among no fewer than three candidates proposed by the Liquor
18	Control Board a Commissioner of Liquor Control for a term of four years.
19	(2) The Board shall review the applicants for the position of
20	Commissioner of Liquor Control and by a vote of the majority of the members
21	of the Board shall select candidates to propose to the Governor. The Board

1	shall consider each applicant's administrative expertise and his or her
2	knowledge regarding the business of distributing and selling alcoholic
3	beverages.
4	(b) The Commissioner shall serve at the pleasure of the Governor until the
5	end of the term for which he or she is appointed or until a successor is
6	appointed.
7	Sec. 12. 7 V.S.A. § 107 is amended to read:
8	§ 107. DUTIES OF COMMISSIONER OF LIQUOR CONTROL
9	The Commissioner of Liquor Control shall:
10	(1) In towns which that vote to permit the sale of spirits and fortified
11	wines, establish such number of local agencies therein as the Board shall
12	determine, enter into agreements for the rental of necessary and adequate
13	quarters, and employ suitable assistants for the operation thereof. However, it
14	shall not be obligatory upon the Liquor Control Board shall not be obligated to
15	establish an agency in every town which that votes to permit the sale of spirits
16	and fortified wines.
17	(2) Make regulations Recommend rules subject to the approval of and
18	adoption by the Board governing the hours during which such local agencies
19	shall be open for the sale of spirits and fortified wines and governing, the
20	qualifications, deportment, and salaries of the agencies' employees, and the

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1	business, operational, financial, and revenue standards that must be met for the	
2	establishment of an agency and its continued operation.	
3	(3) Make regulations Recommend rules subject to the approval of and	
4	adoption by the Board governing:	
5	(A) the prices at which spirits shall be sold by local agencies, the	
6	method for their delivery, and the quantities of spirits that may be sold to any	
7	one person at any one time; and	
8	(B) the minimum prices at which fortified wines shall be sold by	
9	local agencies and second-class licensees that hold fortified wine permits, the	
10	method for their delivery, and the quantities of fortified wines that may be sold	
11	to any one person at any one time.	
12	(4) Supervise the quantities and qualities of spirits and fortified wines to	
13	be kept as stock in local agencies and make regulations recommend rules	
14	subject to the approval of and adoption by the Board regarding the filling of	
15	requisitions therefor on the Commissioner of Liquor Control.	
16	(5) Purchase through the Commissioner of Buildings and General	
17	Services spirits and fortified wines for and in behalf of the Liquor Control	

Board, supervise the their storage thereof and the distribution to local agencies,

druggists and, licensees of the third class, third-class licensees, and holders of

fortified wine permits, and make regulations recommend rules subject to the

1	approval of and adoption by the Board regarding the sale and delivery from the
2	central storage plant.
3	(6) Check and audit the income and disbursements of all local agencies,
4	and the central storage plant.
5	(7) Report to the Board regarding the State's liquor control system and
6	make recommendations for the promotion of the general good of the State.
7	(8) Devise methods and plans for eradicating intemperance and
8	promoting the general good of the state State and make effective such methods
9	and plans as part of the administration of this title.
10	Sec. 13. RULEMAKING
11	On or before July 1, 2017, the Commissioner shall prepare and submit to
12	the Liquor Control Board for its approval and adoption his or her
13	recommendation for rules to govern the business, operational, financial, and
14	revenue standards for local agencies as necessary to implement this act.
15	Sec. 14. LEGISLATIVE COUNCIL; DRAFT LEGISLATION
16	On or before January 15, 2017, the Legislative Council, in consultation with
17	the Commissioner of Liquor Control, the Liquor Control Board, and the Office
18	of the Attorney General, shall prepare and submit a draft bill to the House
19	Committee on General, Housing and Military Affairs and the Senate
20	Committee on Economic Development, Housing and General Affairs that
21	makes statutory amendments of a technical nature to improve the clarity of

1	Title 7 through the reorganization of its provisions and the modernization of its		
2	statutory language. The draft bill shall also identify all statutory sections of		
3	Title 7 that the General Assembly shall amend substantively in order to remove		
4	out-of-date and obsolete provisions or to reflect more accurately the current		
5	practices and programs of the Liquor Control Board and the Department of		
6	<u>Liquor Control.</u>		
7	Sec. 15. COMMISSIONER OF LIQUOR CONTROL; CURRENT TERM;		
8	APPOINTMENT OF SUCCESSOR		
9	The Commissioner of Liquor Control in office on the effective date of this		
10	act shall be deemed to have commenced a four-year term pursuant to 7 V.S.A.		
11	§ 106(a)(1) on February 1, 2016. The Commissioner shall serve until the end		
12	of the four-year term or until a successor is appointed as provided pursuant to		
13	7 V.S.A. § 106. Notwithstanding any provision of 3 V.S.A. § 2004 or		
14	7 V.S.A. § 106(b) to the contrary, during this current term, the Governor may		
15	remove the Commissioner for cause after notice and a hearing.		
16	Sec. 16. EFFECTIVE DATE		
17	(a) This section shall take effect on July 1, 2016.		
18	(b) In Sec. 4, 7 V.S.A. § 231, subdivisions (a)(1) (manufacturer's or		
19	rectifier's license) and (a)(11) (fourth-class license) shall take effect on July 2,		
20	2016. The remaining provisions of Sec. 4 shall take effect on July 1, 2016.		
21	(c) The remaining sections of this act shall take effect on July 1, 2016.		

1	and that after passage the title of the bill be amer	nded to read: "An act relating
2	to alcoholic beverages"	
3		
4		
5	(Committee vote:)	
6		
7		Senator
8		FOR THE COMMITTEE